

Customers for Life

AR34

GENERAL
MOTORS
OF CANADA
LIMITED
1988
IN REVIEW



*Generations of satisfied
customers have made
General Motors of Canada
Number One .*

A faint, grayscale background image of a classical building with a series of columns supporting an entablature. To the right, a statue of a person in historical attire is partially visible.

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*George A. Peaples,
President and General
Manager of General
Motors of Canada, with
one of the Oshawa
GM Autoplex-built
extended cab, short box
Chevrolet pickup trucks.*

2



President's Message

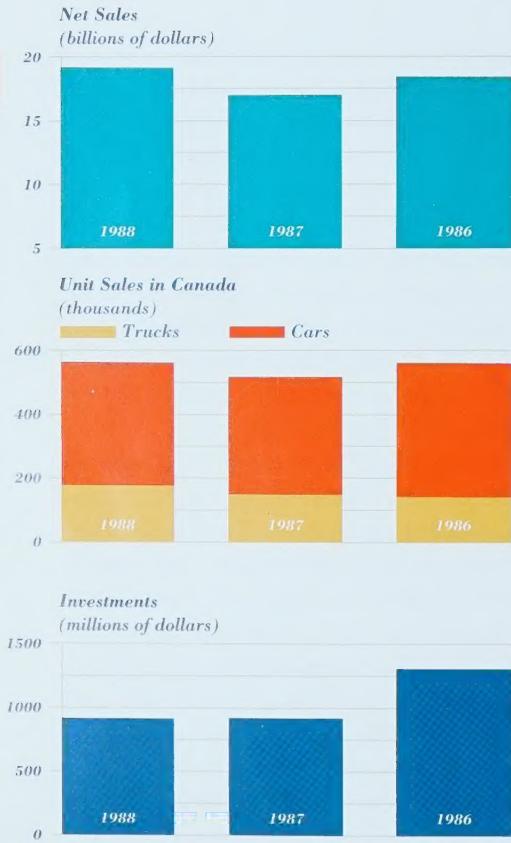
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The people of General Motors of Canada Limited can be very proud of their accomplishments in 1988 and should take full satisfaction from the results achieved through the strong leadership they demonstrated. That leadership was the principal key to continued progress in the completion of an ambitious \$8 billion capital investment program, the most extensive re-industrialization program in Canadian manufacturing history, and a critical building block for continued growth in the marketplace.

The year 1988 was one of transition. In Oshawa, GM Autoplex, the largest, most modern vehicle assembly complex in North America, was the centre of much activity which helped contribute to our increasing production levels. It was at GM Autoplex that our Truck Plant increased production substantially in 1988, following a period of gradual acceleration. Also at GM Autoplex, the new contiguous Stamping Plant, a cornerstone of our synchronous manufacturing system, set new quality standards as it neared its goal of producing all the major body panels for our

Buick Regal and Chevrolet Lumina midsize vehicles. This new facility will utilize Canadian steel, delivered to the GM Autoplex Car Assembly plants on a "just-in-time" basis. In Quebec, the Ste. Therese Car Assembly Plant operated at full capacity following conversion in 1987 from rear-wheel-drive midsize vehicles to the front-wheel-drive Oldsmobile Ciera and Chevrolet Celebrity. And the Scarborough Van Plant continued to produce at full capacity in order to meet market demand for our fullsize Chevrolet and GMC vans.

During 1988, capital expenditures totalled almost \$1 billion for new plant equipment and special tools at all our facilities. The development of GM Autoplex continued in Oshawa where preparations for production of the new Chevrolet Lumina necessitated conversions at Car Assembly Plant 1 and the Buick Regal Plant. In Plant 1, Pontiac 6000 and Oldsmobile Ciera assembly ended to accommodate the Lumina while, at the Regal plant, the new car was added to production capability. By year's end, production of the first Luminas to be delivered in 1989—four-door



models — was underway. These were to be followed, later in the year, by Lumina coupes and four-door Regals. The fact that these cars are being assembled exclusively at GM Autoplex is significant testimony to the quality of our people and our manufacturing operation.

Record sales of \$19.3 billion in 1988 exceeded our previous high of \$19 billion, set in 1985, and rose 14 per cent over the 1987 level of \$16.9 billion. This record is not only attributable to increased production in those plants which experienced extensive downtime during renovation and conversion activities, it is also a reflection of strong consumer acceptance of the vehicles available at General Motors of Canada dealerships. We offered great cars and trucks last year and consumers responded by buying or leasing them in record numbers. Net income for the year was \$359.4 million. This, however, continued to be adversely affected by capital expenditures and the car plant conversions at GM Autoplex.

Overall, in a year filled with numerous market successes, General Motors of Canada

posted total vehicle deliveries of 558,735 units, a four per cent increase over 1987. In 1988 GM of Canada had four of the top ten best-selling car lines in Canada. Among the leaders were the restyled Chevrolet Cavalier, whose sales increased by more than 52 per cent over 1987, the Pontiac Sunbird, the Pontiac 6000 and Chevrolet Corsica/Beretta. With passenger car sales of 379,589 units, GM of Canada increased its market share to 36 per cent.

Our leadership in the truck market continued in 1988, as GM of Canada posted a 1.1 percentage point gain in market share to finish the year at 35.2 per cent, with sales of 179,146 units, up 13 per cent from 1987. One of the truly great product success stories for 1988 featured our fullsize pickup trucks, led by the C/K series truck produced at GM Autoplex. These vehicles, with all the comfort and convenience features found in passenger cars, plus the payload and work capacity of a truck, captured almost 50 per cent of the fullsize pickup truck market, an increase of four percentage points in that segment. Chevrolet/GMC Tracker, a new four-wheel-drive sport utility



1910 McLaughlin

vehicle, made its debut in 1988.

Production of this vehicle, along with the compact Chevrolet Sprint and Pontiac Firefly, will begin in 1989 by CAMI, our joint venture with Suzuki, at Ingersoll, Ontario. The Isuzu Trooper II has also been capturing new truck buyers and, along with other products from General Motors' offshore affiliates, is attracting new customers to the growing family of Passport International Automobiles dealerships.

At GM of Canada, we are well positioned to increase market share in the intensely competitive global industry. The quality vehicles assembled by our Canadian plants, aimed at the heart of the market, have achieved wide acceptance with our customers. Our facilities modernization program has made us a leader in manufacturing technology and will provide us with the flexibility we need to respond quickly to the marketplace.

Success in the market for GM of Canada is totally dependent on the ability to provide our customers with the right products at the right time with the right price/value relation-

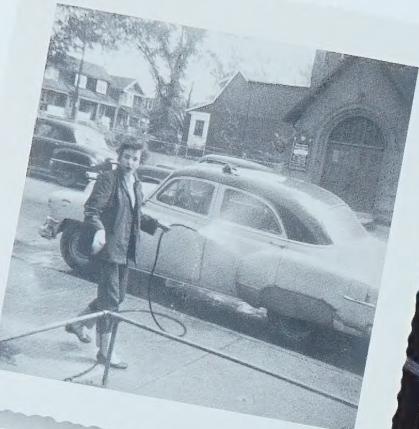
ship. General Motors of Canada has always had a commitment to its customers to provide "one grade only and that the best". This has been a part of our heritage since Colonel Sam McLaughlin founded the McLaughlin Motor Car Company.

Today at General Motors of Canada we are building on that heritage. We are a customer-focused organization dedicated to building great cars and trucks. To do this, we are challenging our traditional ways of doing business in order to satisfy the changing preferences of our customers. Satisfying our customers is the focus of the total GM team — employees, unions, suppliers and dealers. Our goal is to have customers purchase General Motors' products time, after time, after time. We want them to choose to be our customers for life!

George A. Peapples
President and General Manager

Chevrolet Cavalier —
Canada's best-selling
car in Model Year 1988.





Gathered around a 1988 Oldsmobile Cutlass Ciera XC are some of the GM of Canada employees from Product Engineering, Purchasing, Materials

Laboratory and Ste. Therese involved in the design and implementation of the "Ciera Spring Special" package last year. Introduced to mark the 90th birthday

of Oldsmobile, 12,000 of the cars were built, all at Ste. Therese, and all were shipped to the United States for sale – where they were a great success.



Great Cars and Trucks



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EW products are the most obvious signs of the way General Motors is changing in response to customer expectations in an intensely competitive marketplace. In 1988 we introduced many new and redesigned products which automotive journalists and analysts praised for their performance, styling and value. A number were given special recognition by the media. The all-new Pontiac Grand Prix, for example, was named Motor Trend's "Car of the Year". The Oldsmobile Cutlass Supreme and Chevrolet Corsica/Beretta also won critical acclaim. 1989 will see more new models, building on what has been a massive transformation for General Motors vehicles. Our goal is to offer great cars and trucks that will exceed our customers' expectations.

To accomplish this, we must first understand our customers' needs and wishes and to aid in this we have intensified consumer research. All of our decisions have the objective of providing customers with vehicles at the right price/value relationship. Accomplishing this objective requires the involvement, from the outset, of many disciplines at General Motors: engineering, both product and process; manufacturing; finance and the supplier community. During the earliest stage of vehicle

design, the voice of the customer is heard, the customer's requirements are set and the concept is developed and demonstrated. It is also during this stage that the manufacturing plan is defined to ensure that we translate the quality of design into the quality of build in the assembly plant.

Our 1988 passenger vehicles are evidence of a redirection in GM's product and marketing outlook, to refine the images of the historic General Motors nameplates—Cadillac, Buick, Oldsmobile, Pontiac, Chevrolet. Our vehicles have distinct personalities.

The Cadillac nameplate has always been synonymous with prestige and style. In keeping with this, the new De Ville and Fleetwood models have received significant styling changes in response to customers' requirements for a sleeker appearance along with more interior comfort.

Buick Motor Division continues to build on its heritage of traditional luxury in premium North American motor vehicles and, in the fall of 1988, introduced styling refinements to the luxurious Riviera and the midsize Century. Earlier in the year Buick also introduced the totally new, sporty two-seater Reatta coupe to rave reviews.

Production of the new Chevrolet Lumina passenger cars began in late 1988. GM Autoplex will be the sole source of these outstanding vehicles.



Oldsmobile is pursuing its focus on personal luxury cars to attract entry level buyers in this market segment. In 1988, the Cutlass Supreme coupe set the stage for a new generation of midsize vehicles and Oldsmobile also introduced the spirited Quad 4 engine in its Calais International Series.

For Pontiac, the emphasis is on excitement, with cars offering performance and handling which compete with the best in the business. The outstanding Bonneville SSE is a fine example of Pontiac's commitment to its goal.

Chevrolet represents today's best value. The Chevrolet Sprint is the most fuel-efficient vehicle sold in North America, and also features a dramatic new appearance with significant engineering modifications for increased performance. The all-new Corsica and Beretta have been an outstanding success in the compact market, increasing GM of Canada's share in this segment by over two per cent over 1987. The Lumina sedan was being readied in late 1988 for introduction in 1989 and will continue Chevrolet's focus on affordable cars.

A remarkable shift to increased sales of GMC and Chevrolet trucks — one truck for every two cars sold — has occurred in the North American vehicle market. The growing interest in trucks

reflects changing lifestyles and the availability of new products which serve both business and family transportation needs. General Motors of Canada's response to this customer preference has resulted in record sales of trucks, increasing 13 per cent in 1988 to 179,146 units. A major factor in this increase has been our new fullsize extended cab pickup truck, a vehicle which combines seating for six, ride and handling equal to that of a passenger car, anti-lock rear brakes and a sizeable cargo box. Our Astro and Safari compact vans were further refined in 1988 to appeal to the new class of upscale family van purchasers. In addition, General Motors introduced the all-new Chevrolet/GMC Tracker sport utility vehicle. This vehicle, which has the design specifications of General Motors light duty trucks, features four-wheel drive and is designed for both on and off highway use. Sales of Isuzu Trooper IIs from our Passport International Automobiles dealerships also accounted for increased truck sales.

Customers demand increasingly powerful, yet fuel-efficient engines and General Motors continues to lead in the development and introduction of such engines for domestic products. In the 1988 model year these included the Quad 4 engine — a

four-cylinder, sixteen-valve high performance engine which develops 150 hp; the powerful 4.5L V8—exclusive to the Cadillac nameplate; and the new V6 3800 engine offered in our fullsize, front-wheel-drive luxury products.

Passport International Automobiles was formed by GM of Canada as an innovative approach to meet the demands of those customers who prefer imported over domestically-produced products. Now in its second year, Passport offers a range of imported products selected from GM's worldwide affiliates. Passport's representation increased in 1988 to 40 dealerships across Canada and is anticipated to expand to 100 in 1989.

Great cars and trucks also focus on driver and passenger safety. General Motors has long been recognized as the leader in automotive safety research and innovation and is dedicated to continuing its leadership role in these areas. In 1988 rear seat shoulder belts for the rear outboard seating positions were introduced on most GM vehicles. This installation is now standard equipment on all of our passenger cars and almost all of our North American-produced 1989 model year trucks—a full year ahead of our domestic competitors. 1988 was also the year in which GM introduced rear

child seat tether anchors to give added protection for young children. GM is also leading the way in the development of supplemental inflatable restraints (air bags), which were offered on the 1988 Oldsmobile Delta 88. This option will be expanded in Canada for the 1989 model year, and there are plans to install driver's side air bags as standard equipment on selected car lines.

A number of safety features were developed during the 1988 model year for introduction in 1989 models. Daytime running lights, with automatic twilight sentinel, are installed as standard equipment in all 1989 midsize models, one year ahead of legislative requirements. A General Motors kit was developed to enable customers to equip earlier models with this lighting system. GM engineers have significantly enhanced the safety performance of steering wheel designs with the introduction of a new self-aligning steering wheel in the Chevrolet Cavalier which adjusts better to the forward movement of a driver in a collision.

In quality, comfort, performance and handling, our products rival anything in their class from North America, Europe or Asia. But we will never lose sight of the fact we are a company dedicated to continuous improvement.



At TDS, a supplier to Canadian Export Operations (CANEXPO), in Tillsonburg, Ontario, there is a program to receive, process and pack components for approximately 300 "3800" V6 engine assemblies destined—by the end of that day—for Australia. Over 100 different engine components arrive from 50 suppliers in all parts of North America on a just-in-time basis each morning. Since the machined metal parts in the shipment are susceptible to corrosion, and will travel by cargo ship, they are dipped immediately in special protective oil before being packed and loaded into sea containers. In Australia the engine components are assembled by one of CANEXPO's worldwide customers, GM Corporation's Holden's Engine Company and the completed engine is transferred to Holden's Motor Company for installation in the all-new, award-winning Commodore passenger car. CANEXPO developed the program and works closely with TDS to ensure its high standard of quality is maintained.

In General Motors of Canada's Oshawa South Stamping Plant, the operator of a "D-Sight" camera is bathed in sur-

real light as he checks for surface blemishes in the sheet metal on an automobile rear quarter panel.



People Working with Technology



At General Motors, technology is a key tool in our long-term strategy to remain competitive. In the virtual rebuilding of our manufacturing operations, the goal has been to apply state-of-the-art, computer-integrated systems as a tool to improve product quality, increase productivity and attain a competitive edge. The ultimate success of new technology depends upon its effective integration into areas of our business. The people of General Motors of Canada are the critical element in this process.

Multiplying technology by the power and co-operative spirit of people and partners was the major theme of the General Motors of Canada exhibit, "Teamwork and Technology", at the Metropolitan Toronto Convention Centre in June, 1988. Through presentations including concept cars from all GM divisions, an operating design studio, engineering displays and a working Automated Guided Vehicle loop, Teamwork and Technology showcased GM of Canada's products and processes. It welcomed thousands of visitors from General Motors of Canada and the public at large who came for a glimpse at the company and its vision of the future.

At General Motors of Canada, solid organi-

zational values create a supportive environment for the introduction of new technologies into our operations.

First, we are a customer-driven organization. We recognize that the products we design and build, and the services we offer, must be fully responsive to the customer's requirements. Producing better quality cars and trucks with the aid of new technologies is critical. Secondly, we support and respect our people. Our aim is to empower our people to develop their complete potential, allowing them to fully contribute to the business. Support for people means providing them with the competitive skills and training they need to perform a quality job. We have committed \$250 million over a five year period to train our employees.

Our third organizational value is teamwork. There is tremendous power inherent in focusing the skills of an entire team on satisfying the customer. The team at General Motors includes employees, unions, suppliers and dealers. Together, we are striving to provide our customers with the highest quality cars and trucks. Each of us is challenging traditional thinking and finding new ways of doing business to reach this objective.

Finally, we are committed to continuous

Employees at the St. Catharines Foundry are surrounded by V-6 cylinder barrel cores which are used in

casting the 3.1L V-6 multi-port, fuel-injected engines destined for the 1990 Chevrolet Lumina.



improvement. Each day we try to improve on what we do and superior people skills and new technologies are assisting us in this effort.

Our manufacturing strategy focuses on the blending of the best of people skills with the latest of technologies. We have concentrated on those technologies and processes that make a plant facility a more "friendly people place". At GM Autoplex, the traditional drag chain assembly line has been replaced with Automated Guided Vehicles (AGVs) which convey the product from station to station in series or by parallel paths. Parallel path processing allows complex operations to be completed while maintaining even flow of vehicles in the assembly process. With the AGVs, product is delivered to clean, quiet workstations where it is presented to the work groups at ideal heights for assembly operations. AGV technology led to the introduction of advanced sonic testing technology to ensure vehicle watertightness, a more accurate method than traditional water shower test systems. AGV technology has enhanced the nature and scope of an employee's job from a single, repetitive task to the responsibility for completing a total subsystem. Each work group assumes full responsibility for its own set of tasks and must be satisfied

with the job before the AGV is moved to the next station. In short, our employees pace the building of the car, assuring highest possible quality. Our quality results have shown consistent improvement and customers rank our products among the best in the world.

Several new technologies in use in our assembly plants have substantially enhanced the quality build process. Diffracto Inc. of Windsor, Ontario, has developed innovative applications of machine vision systems. One of the applications utilizes an electronic optical scanning device to detect sheet metal surface imperfections invisible to the naked eye. This advanced technology enhances our ability to meet exacting specifications of die finish which results in a superior product for our customers.

New waterborne basecoat/clearcoat paint technologies and processes also enable us to produce vehicles with superior finishes which retain gloss, as well as resist chipping and atmospheric wear over an extended period of time. This advanced paint technology was pioneered by the GM Autoplex Truck Plant and has been studied by manufacturers around the world. The new paint complex built during 1988 at Ste. Therese will be the second of our facilities, and the first North

American car plant, to offer the advantages of this sophisticated paint system when it goes into operation in 1989. The new facility replaces most solvent emissions with water evaporation. Our substantial investment in this new paint technology is indicative of General Motors' commitment to the principle of sustainable economic development consistent with enhancement of the environment.

Great cars and trucks incorporate new technologies which add to customer enjoyment and safety of the product. At GM we are working aggressively with these new technologies. Computerized anti-lock braking systems (ABS) are designed to help to achieve a controlled stop by keeping car wheels rotating as the brakes are applied. Rotating wheels enable a driver to maintain steering ability while a higher braking force is applied. In 1988 GM offered ABS as standard equipment or an option on selected passenger cars and light trucks. With the aid of GM Hughes Electronics Division, GM has developed a head-up display for vehicles which projects selected instrument panel information into the driver's forward field of vision, eliminating the need for the driver's eyes to refocus. In the U.S., 40 limited-edition Oldsmobile Cutlass Supremes were the first pro-

duction vehicles equipped with this innovation.

Our manufacturing strategies are enhanced by sophisticated problem-solving techniques. Design of Experiments (DOE) is a process which assists our employees to isolate the root cause of a problem. GM employees and university professors from the University of Waterloo's Institute for the Improvement of Quality and Productivity work together to isolate potential causes of a problem and then design a matrix to resolve the problem. In support of the program, GM of Canada funds the GM/NSERC (Natural Science & Engineering Research Council) Industrial Research Chair in Quality and Productivity at the University of Waterloo. A Resource Centre for the Improvement of Quality and Productivity has been established in Oshawa to become a focal point for our joint efforts. In addition to DOE our employees are trained in the use of Statistical Process Control for monitoring manufacturing process limits. Employees have received extensive training in the use of this problem-solving technique.

At General Motors of Canada, people and technology are combining to build world class quality products that meet—and exceed—our customers' expectations.



Our Windsor Trim operation is one of the most efficient among North American manufacturers. To reach this status, personnel at the Windsor Trim Plant formed cross-functional business teams and introduced a very important concept — synchronous manufacturing. They dedicated themselves to customer satisfaction, to eliminating waste, to achieving improved productivity in their organization and to first time quality. With dedicated teamwork, Windsor Trim made significant progress. Reduction in plant inventories has freed up floor space. This has allowed Windsor Trim to successfully bid for new business without significant capital investment for new facilities.

The GM “Teamwork and Technology” exhibit in Toronto gave thousands of Canadians an unprecedented opportunity to see a dramatic showcase of

the accomplishments of General Motors and GM of Canada. Visitors also had a look into the future of the world’s number one producer of cars and trucks.



The GM of Canada Team



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UR partnership for customer satisfaction includes 43,500 General Motors of Canada employees, its unions, the country's largest network of new car dealers, as well as suppliers throughout Canada and the United States.

Employees in all areas of our organization, working together, are critical for General Motors of Canada to continue its leadership role in the Canadian motor vehicle industry. Our values of customer-driven, support and respect for people, teamwork and continuous improvement are fundamental to enabling each employee to reach maximum potential and fully contribute to the organization. Continuous learning has become a way of life at General Motors of Canada. To assist employees in working with new technologies, our assembly operators have received a minimum of 40 hours of training annually in new concepts, and our skilled trades personnel have received a minimum of 100 hours and up to 1,500 hours annually. The training goes beyond the technical — it also includes training in group dynamics and people skills to position our employees to succeed in natural work groups which have replaced the activities associated with a traditional assembly line.

The Employee Suggestion Plan recognizes the contributions made by individuals in building better products more efficiently. Over \$4 million was awarded to 2,668 employees for suggestions which benefited the General Motors of Canada organization. This included 51 maximum awards of \$20,000 for suggestions. Nearly 8,000 employees submitted 15,000 ideas for improving the quality of our products, profitability and productivity.

Efforts by General Motors of Canada to advance employment equity are ongoing. During 1988 women continued to progress upwards within the company, receiving 27 per cent of all promotions. Seven per cent of promotions were at the first line supervisory level or above.

Both GM of Canada and the Canadian Auto Workers are committed to accelerating the planning process to encompass initiatives aimed at all designated groups — women, visible minorities, native Canadians and persons with disabilities.

Unions are important partners in our business. They have also dedicated themselves to customer satisfaction and continuous improvement. Indicative of this commitment is the CAW statement which was displayed proudly at the Teamwork and Technology program in June:

*J. A. Perkins of Perth,
Ontario, a General
Motors of Canada
dealer for 50 years and
recipient, in 1988, of
one of GM of Canada's
"Milestone Awards."*



*"The Canadian Auto Workers Union,
with members in General Motors of
Canada auto assembly and compo-
nents plants, is committed to building
the best quality products possible to
ensure our job security for the future."*

In 1988, the Construction Safety Association of Ontario honoured GM of Canada with an "Award of Excellence" and the CAW received a "Citation of Merit" to mark the remarkable fact that the frequency of accidents on the company's construction sites was approximately one third of the provincial average.

General Motors of Canada is forging new partnerships with its suppliers, right from the design phase through production. We rely on suppliers to stay on the leading edge of material and process technology. In 1988, 14 Canadian suppliers who had achieved outstanding results in one or more of the areas of management, quality, cost, delivery and technology, were awarded the GM of Canada "Targets for Excellence" designation. When suppliers meet all of the criteria they are awarded the "Mark of Excellence".

Strategies which reduce build complexity in

GM of Canada assembly plants are important in assisting our efforts to trim manufacturing costs and improve quality. To provide customers with value at competitive prices, General Motors is equipping its passenger cars with option packages geared to specific buying patterns. Many of the most popular options, ordered by more than 80 per cent of our customers, were made standard equipment on most 1988 models. Other frequently-purchased options were packaged into groups. With fewer build combinations, our products have become easier to design, easier to engineer and easier to build. Success of this strategy is also measured in the marketplace. Customers are telling us GM products are easier to buy and it has improved the quality and price/value relationship.

Satisfying the customer requires not only a quality-built vehicle, but also a quality ownership experience. Thus, our dealers are a vital ingredient in achieving customer satisfaction. A quality purchase experience depends upon a knowledgeable sales person who can match the customer's requirements to the vehicle that best fits those needs. General Motors' dealership sales personnel receive extensive training about the products they sell. A quality ownership experience requires that, if

service work is necessary, it must be done right, the first time. Dealership service technicians receive training each year to ensure that they have the technical skills required to service our cars and trucks. Additionally, the technicians are backed by dealer parts inventories and General Motors ships parts from six warehouses strategically located across Canada. Dedicated transport carriers help ensure that these parts reach the dealerships the next day.

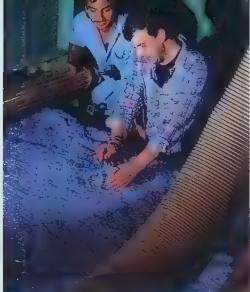
New diagnostic systems are also an important feature of every dealership service department. To assist our dealers, we have established a Technical Assistance Centre which can be reached through a toll free number across Canada. Staffed with engineers and Class "A" technicians, the Centre operates to provide dealership technicians with the assistance required to identify and fix vehicle problems.

One of the most important elements in the creation of a satisfied customer involves GM of Canada's Customer Assistance Centre in Oshawa, which has been expanded across Canada with tollfree numbers (1-800-263-3777; 1-800-359-0588 *Toronto only*; 1-800-263-7854 *Quebec Province*.)

General Motors of Canada and its dealers have established a number of advisory councils, in

conjunction with the long-standing and effective National Dealer Council, which meets regularly to review vehicle, marketing and service programs to ensure that they are fully responsive to our customers' requirements. Dialogue with dealers assisted us in the development of the new "Total" warranty introduced in 1988, featuring "bumper-to-bumper" protection for three years or 80,000 kilometres and in the development of our product simplification strategies which provide customers with superior quality products with outstanding value. Dealer representation on the President's Quality Council has been important in ensuring that the customers' and dealers' requirements are incorporated into product and service programs.

Many of our dealers have been representing General Motors in their communities for years. In 1988, we awarded Milestone Awards to 171 individuals who have been General Motors dealers for 25 years or longer. It was a special occasion to present the first 50-year Milestone Award to J.A. Perkins of Perth, Ontario, who has been a GM of Canada dealer there since 1938. The entire General Motors of Canada team is focused on the customer. Together, we are reaching new levels of customer satisfaction.



One of the outstanding features of GM cars and trucks is interior quietness and much of the credit for this belongs to one of General Motors of Canada's oldest suppliers, Bauer Industries Limited of Waterloo, Ontario. A GM supplier since 1918, the company celebrated its 100th anniversary last year and company president Raymond A.J. Bauer marked the occasion by naming son Ray Jr. to replace him and by appointing daughter Lisa as vice president. Ray Jr. is the sixth Bauer in the company's history to occupy the president's chair. Bauer Industries manufacture the synthetic and natural fibre sound abatement and thermal insulation products installed on the underside of carpets, inside door panels and dashboards and seats and trunks. Bauer and its 250 employees have dedicated themselves to quality workmanship, just-in-time delivery, continuous improvement and value.



Scarborough Van Plant is the only North American maker of "cutaway vans" with multiple potential uses. After assembly the vans are

shipped to different truck bodyworks for conversion into a wide variety of vehicles—everything from school buses to motorhomes.



GM of Canada in the Community



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ENERAL Motors of Canada has invested \$8 billion in Canada in the 1980s to create a world-class automotive industry from parts production to car and truck assembly to vehicle sales and service. Our network of people stretches beyond the 43,500 General Motors of Canada employees and the 38,000 people employed in GM dealerships coast-to-coast. The presence of General Motors of Canada is strongly felt in all of our plant cities—Ste. Therese, Oshawa, Scarborough, St. Catharines, Windsor and London—and in thousands of other Canadian towns and cities which supply GM with goods and services annually.

As the largest manufacturing company in Canada, we take seriously our obligation to contribute to enhancing the quality of life in this country with substantial financial support for many deserving organizations. The day-to-day commitment of many GM people to charities, educational institutions and civic organizations is critical to their sustained ability to meet the needs of the communities they serve.

Our commitment to Canadian educational institutions is a key component of strategy to help maintain and expand the country's accumulated knowledge in rapidly expanding high technology

and business fields. General Motors of Canada is involved in long-term funding commitments to support 13 major Canadian universities. GM of Canada, through the Motor Vehicle Manufacturers' Association, also made a substantial commitment to the Canadian Automotive Institute at Georgian College in Barrie, Ontario, which will train future generations of dealership sales persons, service and management personnel, and leaders for the automotive industry. Donations-in-kind are made across the country, allowing secondary and technical schools and community colleges to work with the latest in automotive technology. Many engines, transmissions, axles, and over 80 vehicles were donated in 1988 to schools from coast to coast. General Motors of Canada also reached out to 3,000 high schools across the country with a videotape, "Lookin' Alive", featuring "Miami Vice" TV-star Don Johnson, encouraging the use of safety belts.

At the GMI Engineering and Management Institute in Flint, Michigan, Albert Sobey Memorial Awards are presented annually to exceptional students in memory of GMI's founder and first president. In 1988, only 13 Sobey scholars were named from the 600-student graduating class and of these, five were Canadians sponsored by GM of

Luigi Tosti, of Windsor Transmission Plant, with the unique "Chariot."



Canada. One, Jeffrey Henderson, who has joined our St. Catharines operations, earned the distinction of achieving the highest grade point average ever attained in GM's 89-year history.

GM of Canada's commitment to community and health and welfare organizations is an important one. In 1988, we supported the capital campaigns of 13 of Canada's leading hospitals and over 60 other health and welfare groups. Our activities with the CAW and our employees in support of the United Way is another important contribution to the social fabric in 16 Canadian cities. Through the outstanding participation rate of our people, hard work, and various fundraising events, GM and its employees had their most successful United Way campaign to date, contributing more than \$3.7 million to care for needs in our communities.

Individual generosity and a willingness to work together to help others less fortunate is characteristic of the GM team. The Oshawa North Fabrication Plant employees gave a special Christmas gift of a "Chariot", a unique wheelchair, to Todd Perry, the two-year-old grandson of two employees. The little boy was born with spina bifida, a disease causing partial paralysis. More than ten years ago Luigi Tosti, a die setter at the

Windsor Transmission Plant, invented the first of these easily accessible, maneuverable wheelchairs for his daughter Maria, now 13, a victim of the same disease. Since then over 200 children in North America have benefited from Tosti's invention.

Two General Motors of Canada employees received special commendations for bravery in 1988. At Rideau Hall, governor general Mme. Jeanne Sauve presented the Medal of Bravery to Robert Bray, a machine operator at the Windsor Transmission Plant. Bray assisted in the rescue of a stranded snowmobiler from an ice floe in Lake St. Clair one snowy February evening. Gerald Tellier, a supervisor in the Windsor Trim Plant, received recognition from the community of Belle River, Ontario, for bravely risking his life to rescue two young boys from a burning house early one morning as he was on his way to work. General Motors of Canada is proud of them and all our employees who are role models in their communities.

The commitment of GM employees doesn't stop when they retire. Through organizations such as the General Motors of Canada Retirees' Association, many of our 10,000 retirees keep up to date with the Company's progress through speakers, newsletters and plant tours, as well as our new



company publication, GM Vision magazine. Their highly successful fundraising campaigns benefit numerous charities and many continue to be very active in the community. General Motors of Canada values its retirees highly, and provides them with pension plans among the best in Canada.

In 1988, General Motors of Canada supported dozens of local and national arts and cultural organizations and performing groups throughout Canada. GM was a major contributor to Canada's biggest cultural and sporting event in Canada in 1988, as the official vehicle supplier to the XV Winter Olympics in Calgary. We provided and maintained — in cooperation with dealers from St. John's to Victoria — cars and trucks for the historic 88-day Torch Relay, and more than 1,000 vehicles used during the Olympics to transport 20,000 volunteers, officials, IOC members, judges and athletes.

The Olympic "spirit of excellence" pervaded our organizations with 45 employees winning trips to attend the Opening Ceremonies and a number of sporting events. Thousands of GM employees participated in this involvement program, winning specially-designed Olympic clothing for their demonstrated commitment to excellence. Other

Olympic activities included the development of special edition Olympic vehicles, co-sponsoring a special "Thank You" concert for volunteers, and sharing with the COA in a special Cross Canada Breakfast, honouring the youth of Canada and the Canadian Olympic Spirit.

The spirit of excellence continued to thrive in the third year of the Player's/GM Motorsport Series which features showroom stock Camaro IROC-Z and Firebird Trans Am cars. The quality, durability and excitement of these vehicles was proven over every type of driving conditions in ten races in the East and six in the West. The 1988 East series winner was Richard Spenard and the West champion was Frank Allers. The series attracted an audience of 20 million Canadians at the track, on TV and other media as well as in displays at auto shows and in mall exhibits and parades.

These contributions, from funding of major hospitals and universities to arts and sporting events and the individual acts of our employees, are strong symbols of General Motors of Canada's long-term commitment to Canada. We are proud of that commitment.

Diesel Division of General Motors of Canada, located in London, Ontario is responsible for major manufacturing operations and the assembly of diesel electric locomotives for North America and worldwide export markets. As with cars and trucks, locomotives earn customer satisfaction through quality and reliability. In fact, the first locomotive built in London in 1950 is still in operation. Visitors to Diesel Division's major exhibit at the Teamwork and Technology show were impressed with today's highly computerized, quieter, more fuel-efficient and powerful locomotives. Consultation with train crews in the planning and manufacturing stages was evident in greatly improved levels of working comfort and ergonomics. General Motors of Canada has pledged itself to working closely with customers and providing them with locomotives that meet their precise needs and exceed their quality standards.

Business Partners

In keeping with its abiding commitment to teamwork as a key to continuing success, General Motors of Canada extends this philosophy through a close relationship with various business partners. In developing strategies for the future, many key business decisions are formulated and carried out with full involvement by Canadian Auto Workers', dealer and supplier representatives. There are three principal groups whose assistance is invaluable in the development of strategies leading to continuous improvement of our quality levels, cost performance and responsiveness to our customer needs. They are the National Dealer Council, the Supplier Council and the President's Quality Council. We list their names here and we thank them for their outstanding and enduring support.

National Dealer Council

Tom W. Harris
Tom Harris Chevrolet
Oldsmobile Cadillac Ltd.
Nanaimo,
British Columbia

Larry J. Moffat
Calgary Motor Products
Co. Ltd.
Calgary, Alberta

Bruce D. Axelson
Cheyenne Chev-Olds Ltd.
Melfort, Saskatchewan

O. Bruce Harris
Harris Chevrolet-
Oldsmobile Ltd.
Selkirk, Manitoba

John M. Disbrowe

Disbrowe Motors
St. Thomas, Ontario

Jerry A. Gazarek
Sheridan Chevrolet
Oldsmobile Cadillac Ltd.
Pickering, Ontario

Jim T. Hanna
Grant Brown Cadillac
Pontiac Buick Ltd.
Weston, Ontario

Hank S. Meiss
Myers Chev-Olds-
Cadillac Inc.
Ottawa, Ontario

Francois Verdy

Le Relais Chevrolet
Oldsmobile Ltée
Montréal, Québec

Jean-Claude Gravel
Gravel Pontiac-Buick-
Cadillac Inc.
Saint-Jean, Québec

Bertrand C. Hébert
Citadelle Chevrolet
Oldsmobile Ltée
Lévis, Québec

Bruce R. Brett
Brett Pontiac Buick
GMC Limited
Halifax, Nova Scotia

Supplier Council

Tony Rea
A. Rea Tools
& Tubing Ltd.
Mississauga, Ontario

Neill Elliot
Ajax Precision
Mfg. Co. Ltd.
Weston, Ontario

Gerry B. Hudson
Algoma Steel
Corporation Ltd.
Mississauga, Ontario

Ray E. Bauer, Jr.
Bauer Industries Ltd.
Waterloo, Ontario

Gil R. Mackie
CP Rail
Toronto, Ontario

Normand Carpentier
Camoplast Inc.
Kingsbury, Québec

Dick F.G. Baker Canada Transport Group Belleville, Ontario	Charles G. Thorpe Goodyear Canada Inc. Islington, Ontario	John W. Korcz Reynolds Aluminum Co. of Canada Ltd. Cap-de-la-Madeleine, Québec	President's Quality Council	Jerry A. Gazarek President Sheridan Chevrolet Oldsmobile Cadillac Ltd. Pickering, Ontario	J. Ted Robertson Director of Engineering GM of Canada
Ralph J. Zarboni Complax Corporation Cobourg, Ontario	Roger Thomas Henkel Canada Ltd. Rexdale, Ontario	Bob M. Varga TRW Vehicle Safety Systems Div. Midland, Ontario	George A. Peapples President and General Manager GM of Canada	Terry R. Holmes Vice President and Finance Manager GM of Canada	J. Donald Thornton General Director Canadian Export Operations (CANEXPO) GM of Canada
Jim Priebe Dupont Canada Inc. Mississauga, Ontario	Pascal Ialenti Himont Canada Inc. Montreal, Quebec	Guy DiPonio Valiant Machine and Tool Windsor, Ontario	William J. Atkinson Vice President Sales-Service-Marketing GM of Canada	Ross W. McFarlane Vice President and General Counsel GM of Canada	John E. Urbanic Director Car and Truck Assembly GM of Canada
Michael G. Weedon Epton Industries Inc. Kitchener, Ontario	Ralph Webbe Jutras Die Casting Limited Agincourt, Ontario	John H. Connor Volkswagen Canada Inc. Barrie, Ontario	Peter C. Bagnall General Director Customer Services GM of Canada	Donald E. Mitchell Director Quality Network Chevrolet-Pontiac- GM Canada (C-P-C)	Michael G. Weedon President and C.E.O. Epton Industries Inc. Kitchener, Ontario
Roland C. James Excel Metalcraft Ltd. Aurora, Ontario	Frank Burnside Manchester Plastics Ltd. Gananoque, Ontario	Ralph C. Addison Woodbridge Inoac Mississauga, Ontario	Donald T. Blight Vice President and Director of Operations GM of Canada	Lawrence J. Moffat President Calgary Motor Products Co., Ltd. Calgary, Alberta	Donald L. Willen Director Service Parts Operations-Canada GM of Canada
Heinz Kleinhenz FAG Bearings Ltd. Stratford, Ontario	Ivar Nilsson Opus Ferrum Limited Weston, Ontario	Reinhart Weber Weber Tool and Mold Midland, Ontario	Frederick R. Curd, Jr. Vice President and General Director of Personnel GM of Canada	Robert Nickerson National Secretary- Treasurer Canadian Auto Workers Toronto, Ontario	
John Best Gates Canada Inc. Brantford, Ontario		Jack B. Donachey Executive Director GM of Canada Supplier Council			

Board of Directors

In October, 1988, General Motors of Canada welcomed Terry R. Holmes to its Board of Directors, succeeding G. Richard Wagoner, Jr., Vice President and Finance Manager, who had been a Board member since January, 1987.

Mr. Wagoner was appointed Group Director, Strategic Business Planning for the Chevrolet-Pontiac-GM Canada Group of General Motors Corporation (C-P-C). Mr. Holmes joined the Board following his appointment as Vice President and Finance Manager of GM of Canada. E. Michael Mutchler, a GM Vice President since 1986, was elected a member of the Board of Directors in February, 1989, following his appointment as Group Executive of C-P-C. He succeeds Robert J. Schultz, formerly Vice President and Group Executive, C-P-C and a member of the GM of Canada Board of Directors since April, 1986. Mr. Schultz was elected Executive Vice President of General Motors Corporation with responsibility for Electronic Data Systems Corporation (EDS); GM Hughes Electronic Corporation; the GM Technical Staffs Group and Corporate Information Management.



George A. Peaples
President and
General Manager
GM of Canada



William J. Atkinson
Vice President
Sales-Service-Marketing
GM of Canada



Donald T. Blight
Vice President and
Director of Operations
GM of Canada



Richard M. Colcomb
Former Vice President and
General Sales Manager
GM of Canada



J. Trevor Eyton
President and C.E.O.
Brasean Ltd.



Terry R. Holmes
Vice President and
Finance Manager
GM of Canada



Ross W. McFarlane Q.C.
Vice President and
Secretary
GM of Canada



E. Michael Mutchler
Vice President and
Group Executive
C-P-C



William W. Stinson
President and C.E.O.
Canadian Pacific Limited



Allan R. Taylor
Chairman and C.E.O.
The Royal Bank
of Canada



Robert W. Waugh
Former President, Financial
Executives Institute Canada
Former Vice President
Finance, GM of Canada



Robert M. Wilson
Former Director of
Purchasing
GM of Canada

Highlights

General Motors of Canada Limited
(millions of dollars)

	1988	1987	1986	1985	1984
Net Sales	\$19,310.5	\$16,881.4	\$18,532.6	\$18,993.3	\$16,297.7
Net income	\$ 359.4	\$ 5.1	\$ 418.4	\$ 713.0	\$ 880.8
Net income percent of sales	1.9%	—%	2.3%	3.8%	5.4%
Taxes	354.1	188.1	489.6	674.6	745.8
Total capital expenditures	923.8	928.5	1,318.3	674.4	267.5
Expenditures for plant and equipment	485.5	581.9	838.9	541.0	184.8
Expenditures for special tools	438.3	346.6	479.4	183.4	82.7
Payrolls	1,467.0	1,599.6	1,642.3	1,685.5	1,457.8
On-roll employment	43,571	44,749	45,994	48,106	45,391

<i>Unit Sales</i>	1988	1987	1986	1985	1984
<i>Manufactured in Canada</i>					
Passenger Cars	410,920	339,438	531,602	562,083	548,895
Trucks	326,013	237,984	192,072	279,363	276,704
Total Factory Sales	736,933	577,422	723,674	841,446	825,599
Imported Vehicles	399,758	405,130	416,407	391,415	326,200
<i>Total Unit Sales</i>	1,136,691	982,552	1,140,081	1,232,861	1,151,799
<i>Unit Sales by Area</i>					
Canada	545,096	534,901	585,547	575,136	477,084
United States	580,716	443,391	548,904	647,108	653,494
Other Countries	10,879	4,260	5,630	10,617	21,221

Balance Sheet

General Motors of Canada Limited

December 31, 1988

with comparative figures for 1987

(thousands of dollars)

<i>Assets</i>	1988	1987
<i>Current Assets:</i>		
Cash	\$ 8,672	\$ 1,766
Accounts and notes receivable:		
Trade—affiliated companies	309,222	39,815
—other	175,274	198,611
Taxes and sundry	59,952	644,624
Inventories	998,112	1,033,111
Prepaid expenses	33,942	36,027
Deferred income taxes	118,885	117,669
Total current assets	1,704,059	2,071,623

Approved by the Board:

George Daffler

Director

T.R. Holmes

Director

Property:

Real estate, plants and equipment (Note2)	4,757,456	4,462,024
Less accumulated depreciation	1,889,665	1,736,888
Net real estate, plants and equipment	2,867,791	2,725,136
Special tools—less amortization	824,443	650,453
Net property	3,692,234	3,375,589
<i>Long-term Investments</i>	149,017	149,762
<i>Other Assets</i>	313,916	319,540
Total	\$ 5,859,226	\$ 5,916,514

Reference should be made to the Notes to Financial Statements

<i>Liabilities</i>	1988	1987
<i>Current Liabilities</i>		
Bank loans and cheques in transit	\$ 136,307	\$ 299,545
Accounts payable:		
Trade-affiliated companies	17,208	286,367
Other trade and sundry	507,412	498,707
Income and other taxes payable	150,823	85,171
Other liabilities	531,210	629,763
Total current liabilities	1,342,960	1,799,553
<i>Long-term Debt (Note 3)</i>	422,635	422,635
<i>Deferred Income Taxes</i>	940,678	809,046
<i>Other Liabilities</i>	464,390	448,085

Shareholder's Equity

Share capital without par value:

Authorized:

An unlimited number of common shares

Issued:

703,250 shares	70,325	70,325
Contributed surplus	36,325	36,325
Net income retained for use in the business	2,581,913	2,330,545
Total shareholder's equity	2,688,563	2,437,195
Total	\$5,859,226	\$5,916,514

Statement of Income and Net Income Retained for Use in the Business

General Motors of Canada Limited
 Year ended December 31, 1988
 with comparative figures for 1987
 (thousands of dollars)

	1988	1987
<i>Net Sales</i>	\$19,310,538	\$16,884,371
<i>Costs and expenses:</i>		
Cost of sales and other operating charges, exclusive of items listed below	17,764,597	16,089,307
Selling, general and administrative expenses	370,664	345,215
Depreciation of plants and equipment (NOTE 1)	270,147	240,499
Amortization of special tools (NOTE 1)	264,356	146,779
Total	18,669,764	16,821,800
<i>Operating Income</i>	640,774	62,571
<i>Other income less income deductions</i>	(27,998)	18,443
<i>Interest expense:</i>		
Interest on capital leases	54	123
Interest on long-term debt	18,760	12,533
Other interest	3,497	11,846
Total	22,311	24,502
<i>Income before taxes</i>	590,465	56,512
<i>Income taxes</i>	231,092	51,442
<i>Net income for the year</i>	359,373	5,070
<i>Net income retained for use in the business at beginning of the year</i>	2,330,545	2,325,475
<i>Dividends paid</i>	2,689,918	2,330,545
<i>Net income retained for use in the business at end of the year</i>	\$ 2,581,913	\$ 2,330,545

Reference should be made to the Notes to Financial Statements

Statement of Changes in Financial Position

General Motors of Canada Limited
 Year ended December 31, 1988
 with comparative figures for 1987
 (thousands of dollars)

	1988	1987
<i>Operating Activities</i>		
From operations		
Net Income	\$ 359,373	\$ 5,070
Depreciation of plants and equipment	270,147	240,499
Amortization of special tools	264,356	146,779
Deferred income taxes	131,632	586,568
Loss on disposal of property	51,398	10,732
Equity in earnings of associated companies	(3,965)	(5,651)
Working capital provided from operations	1,072,941	983,997
Net change in non-cash operating working capital items	103,045	(330,965)
Cash provided by operating activities	1,175,986	653,022
Dividends paid	108,005	-
Cash available for investing and financing activities	1,067,981	653,022
<i>Investing Activities</i>		
Expenditure for real estate, plants and equipment	485,478	581,881
Expenditure for special tools	438,346	346,595
Proceeds on disposal of property	(21,277)	(17,271)
Long-term investments	(4,710)	72,582
Cash used on investing activities	897,837	983,787
<i>Financing Activities</i>		
Increase in long-term debt	322,635	-
Other	19,819	-
Cash provided by financing activities	-	342,454
Increase in cash and cash equivalents	170,144	11,689
Cash and cash equivalents at beginning of year	(297,779)	(309,468)
Cash and cash equivalents at end of year	\$ (127,635)	\$ (297,779)
<i>Cash and cash equivalents</i>		
Cash	\$ 8,672	\$ 1,766
Bank loans and cheques in transit	(136,307)	(299,545)
	\$ (127,635)	\$ (297,779)

Reference should be made to the Notes to Financial Statements

Auditors' Report

To the Shareholder of
General Motors of Canada Limited:

We have examined the balance sheet of General Motors of Canada Limited as at December 31, 1988 and the statements of income and net income retained for use in the business and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells

Chartered Accountants
January 20, 1989

Notes to Financial Statements

December 31, 1988

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Transactions in Foreign Currencies:

Transactions in foreign currencies have been stated in Canadian currency at the average rate of exchange for the months in which they occurred. Assets and liabilities which are to be settled in foreign currencies have been stated in Canadian currency at the rates of exchange in effect at the balance sheet date. Forward exchange contracts, except specific hedges of future commitments, are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Premiums and discounts on such contracts are amortized over the lives of the respective contracts. Gains and losses on translation of foreign currencies are included in other income.

Income taxes:

Income taxes are accounted for using the tax-allocation basis, under which income taxes are provided for in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. The resulting timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowance for income tax purposes in excess of depreciation of plants and equipment and amortization of special tooling expenditures charged in the financial statements, and to recording warranty expense in the financial statements in excess of that claimed for income tax purposes.

Investment tax credits which arise principally from the company making certain capital expenditures as prescribed in the Income Tax Act, are deferred and amortized over the lives of the related assets.

Inventories:

Inventories are stated at the lower of cost and market value. Cost is determined substantially by the first-in, first-out or the average-cost method. Market value is calculated as current sales price less distribution cost for finished products and as replacement cost for other inventories.

Property, Depreciation and Amortization:

Property is stated at cost. Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives. The annual group rates of depreciation are as follows:

Classification of property	Annual Group Rates
Land improvements	1½% to 5%
Buildings	1¼% to 3¾%
Machinery and equipment	1¾% to 15%
Furniture and office equipment	3¼% to 18¾%

Expenditures for special tools are amortized over their estimated useful lives. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged to cost of sales.

Long-Term Investments:

The company accounts for its investments in dealership companies, which are temporary in nature, and corporate joint ventures, on the equity basis of accounting. Equity earnings of \$3,965,000 (1987—\$5,651,000) are included in other income.

Pensions:

The company participates with affiliated Canadian companies in pension plans covering substantially all of its employees. The plans provide pensions calculated in terms of each participant's length of service, wages and salaries, and, where applicable, contributions. Net pension costs for the period consist of the cost of pension benefits provided in exchange for employee's services rendered in the period, determined using the projected benefit method pro-rated on services and experience gains or losses and adjustments arising from changes in the plans and plan assumptions.

Product-Related Expenses:

Expenditures for research and development and for advertising and sales promotion are charged to costs and expenses when incurred. Provisions for estimated costs related to product warranty are made at the time the products are sold.

NOTE 2. REAL ESTATE, PLANTS AND EQUIPMENT

(thousands of dollars)	1988	1987
Land, buildings and improvements	\$1,378,880	\$1,259,702
Machinery, equipment and furniture	2,941,813	2,853,970
Construction in progress	436,763	348,352
Total	\$4,757,456	\$4,462,024

Notes to Financial Statements

December 31, 1988

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NOTE 3. LONG-TERM DEBT

(thousands of dollars)	1988	1987
Notes payable; due December 16, 1991	\$ 100,000	\$ 100,000
Notes payable; due June 29, 1992 (Swiss Francs 120,000,000)	102,635	102,635
Loans; due April 1, 2017	220,000	220,000
Total	\$ 422,635	\$ 422,635

The fixed interest rate obligations on both notes payable were swapped into floating interest rate obligations, based on the average 30 day Bankers' Acceptance rate of the five major Canadian banks, less a specified discount.

In the case of the Swiss franc notes, the company entered into a currency/interest rate swap agreement fixing the principal at \$102,635,000.

The loans for \$220,000,000 are interest-free government loans. They provide for early partial repayment and the payment of interest in the event that the company does not meet certain operating and spending commitments.

NOTE 4. PENSIONS

An actuarial valuation is performed each year for the pension plans of the company and its affiliated Canadian companies to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement. Pension fund assets are carried at adjusted market values. As at December 1, 1988, the date of the latest valuation, the pension plans had an unfunded liability as shown below:

(thousands of dollars)	1988	1987
Pension plan assets, at market value	\$2,079,575	\$1,925,138
Present value of accrued pension benefits	\$2,194,626	\$1,811,915
Unfunded liability (funding excess) as at December 1st	\$ 115,051	\$ (113,223)

The company's employees represent approximately 97% of the total number of employees in the plans.

Pension expense amounted to \$48,353,200 for the year ended December 31, 1988 (1987 - credit of \$50,725,200).

The cumulative difference between the funding contributions and the amounts recorded as pension expense is reflected in "Other Assets".

NOTE 5. RELATED PARTY TRANSACTIONS

The company is a subsidiary of General Motors Corporation and participates with affiliated companies in the design, manufacture, assembly and distribution of products which relate to transportation equipment, consisting principally of passenger cars, trucks and locomotives as well as parts and accessories.

It has been the practice for a number of years to obtain at cost certain types of services from affiliates. In return, the company provides services at cost to affiliates.

Significant related party transactions with parent and affiliated companies, not otherwise disclosed in the financial statements, are as follows:

- Net sales includes sales to parent and affiliated companies of \$11,366 million in 1988 and \$9,262 million in 1987.
- Approximately 65% of total costs and expenses in both 1987 and 1988 arise from business transactions with parent and affiliated companies.

NOTE 6. CAPITAL COMMITMENTS

Capital expenditures committed but not expended at December 31, 1988 amount to approximately \$489 million (1987 - \$466 million).

NOTE 7. CONTINGENT LIABILITY

There are various claims and pending actions against the company with respect to product liability, warranties and other matters arising out of the conduct of the business. Although the amounts of liability on these claims and actions at December 31, 1988 were not determinable, in the opinion of management, the ultimate resulting liability will not materially affect the financial position or results of operations of the company.

*To receive additional copies
of "Customers for Life",
General Motors of Canada Limited
1988 in Review, please write to the
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(096-003)*

*General Motors of Canada Limited
215 William Street East,
Oshawa, Ontario, Canada
L1G 1K7*

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*General Motors of Canada Limited
would like to thank the following
for the use of their photographs:*

*Mr. G.R. Brockie
Mr. and Mrs. K.G. Kessler
Mr. J.A. Perkins
Mr. and Mrs. M.G. Vanlerberghe*



MARK OF EXCELLENCE